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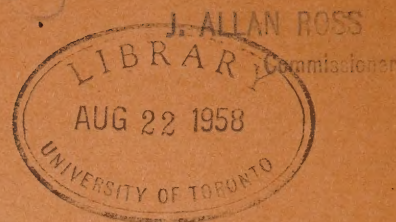
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*Ontario Hydro Electric
Inquiry Commission, 1922-24
Miscellaneous documents*



9th May, 1922.

Statement of Mr. G. T. Clarkson -

Summary

COMMISSIONERS

W. D. GREGORY, CHAIRMAN
M. J. HANEY
LLOYD HARRIS
J. A. ROSS
R. A. ROSS

F. W. WEGENAST,
LEGAL ADVISER
J. H. W. BOWER,
SECRETARY



ONTARIO

Hydro Electric Inquiry Commission

36 KING ST. EAST

TORONTO

HYDRO-ELECTRIC INQUIRY
COMMISSION.

Toronto,
Tuesday,
9th May, 1922.

STATEMENT OF MR. G. T. CLARKSON, MAY 9TH, 1922, SUMMARY.

Mr. Clarkson explained that his firm had first been called in by the Hearst Government in 1914. For some years after the Hydro-Electric System had been initiated, the auditing had been left to Mr. Clancy, the Government Auditor, who had found however that the work was too much for him. Then a man named Andrews had been appointed as Special Auditor for the Hydro-Electric System, Andrews worked along for three or four years, but did not seem to be able to get the work in order.

Mr. Clarkson's first work had been in the nature of an investigation of Mr. Andrews' work, but after two years the Government placed the whole matter in the hands of the firm of Clarkson, Gordon & Dilworth, Mr. Guillfoyle having been specially assigned to the work.

Mr. Clarkson suggested that as he and Mr. Guillfoyle had an intimate acquaintance with the whole field of accounting which was to be investigated, it would be well for Mr. Landis to confer freely with them from time to time.

A general discussion ensued as to the nature of the auditing as carried out by Mr. Clarkson and the possibility of differences of view as to the theories to be applied. So far as the details of the auditing were concerned, Mr. Clarkson assured the Commissioners the work had been done with great thoroughness and the system of checking by the Hydro-Electric Power Commission itself was an excellent one.

So far as the book-work, examination of vouchers, etc., were concerned, Mr. Clarkson thought that the Commissioners would find everything in order.

As regards some of the larger problems, there had admittedly been discrepancies.

Some of these items had been pointed out in Mr. Clarkson's report -- money had in some cases been diverted from one branch of the Commission's operations to another, without proper authority; some expenditures had been made for which there was not clear authorization. There was also a difference of opinion as to such matters as Sinking Fund charges, Rates of Depreciation, etc., as among the different branches of the Commission's operations. You only get 5% -- in Bonds you get 5%, 5 1/2% or 6% and they can be sold at any time. This difference in five years' time might mean \$45,000, or \$50,000, or thereabouts.

HYDRO-ELECTRIC INQUIRY
COMMISSION.

STATEMENT OF MR. G. T. CLARKSON, MAY 2TH, 1922, SUMMARY.

Mr. Clarkson explained that his firm had first been called in by the Federal Government in 1914. For some years after the Hydro-Electric System had been initiated, the auditing had been left to Mr. Clancy, the Government Auditor, who had found however that the work was too much for him. Then a man named Andrews had been appointed as special Auditor for the Hydro-Electric System, Andrews worked alone for three or four years, but did not seem to be able to get the work in order.

Mr. Clarkson's first work had been in the nature of an investigation of Mr. Andrews' work, but after two years the Government placed the whole matter in the hands of the firm of Clarkson, Gordon & Dillworth, Mr. Gulliford having been specially assigned to the work.

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HYDRO-ELECTRIC INQUIRY COMMISSION

Question:

Why not consolidate with Ontario

Toronto,

Tuesday,

9th May, 1922.

Mr. Clarkson: This means that Toronto has so many dollars are their proportion of the renewal fund. It is absolutely a trust fund and you cannot use it for any other thing. It is getting to an amount where it will be in

Mr. Clarkson: In my 1917 report you will see lists showing percentages set apart for depreciation. On buildings with life of 50 years 2% sinking fund basis, in some cases down to 3/4 of 1%, and pole lines life of 8 to 10 years -- there are 5, 6, 7 or 8 pages of these lists. The average in connection with the Niagara system was 2 1/2% on sinking fund basis, 3% to 3 1/2% on straight line basis for renewals. Basis continued up until last year, when the Wasdell's system cut these from 3 1/2% to 2%. I do not know whether the cut is justified or not. I am not an engineer. If the reductions were justified O.K.: if the rate was unfairly cut and the 2% allowed is not sufficient, it will mean that by the end of 10 years you have to replace and you cannot do so and therefore cannot deliver the power.

This is apart from the sinking fund to reduce the bonds. You have a system 100% efficient of renewal bonds behind to replace it. I raise the question about the propriety of reducing the sinking fund from 3 1/2% to 2%, being fearful that this is not right -- might find itself without renewal fund. I told the Government this was dangerous. Your Commission can investigate as this is important and you can discuss the renewal bonds.

The Municipality to enter into a contract with the Hydro, an incentive. The Wasdell is an old system without renewals and especially antiquated -- would be higher on a high voltage system like this than on a low voltage system. There is a large length of pole line on that system compared with the installation and plant and what I do not understand is how you can know the future year's expenses.

Mr. Clarkson: \$220,000. Bonds guaranteed by the Government.
Question: You think they are taking a risk? Did Mr. Gaby make a written report regarding this?
Mr. Clarkson: I think so. I think they are.

Question: Where you have a sinking fund for renewals you recommend putting this in bonds -- why?
Mr. Clarkson: The Hydro is only hold it -- I do not know who for.

Mr. Clarkson: The money cannot be used as working funds. The Hydro holds it the same way.

Question Why in Bonds?

Then you have them in order to pay Ontario Power Co.
Mr. Clarkson: There is a difference between 3% Bank interest and 6% Bond interest: only two ways to handle it, either put in Bonds or in cash in Bank. If in cash it might be kept by the Government, or the Commission might use it for something else. I would rather put it beyond peradventure. If you put it in cash you only get 3% -- in Bonds you get 5%, 5 1/2% or 6% and they can be sold at any time. This difference in five years' time might mean \$45,000. or \$50,000. or thereabouts.

Hydro was supposed to be adjacent to the Niagara.

HYDRO-ELECTRIC INQUIRY COMMISSION

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Question: Why not consolidate with others?

Mr. Clarkson: This means that Toronto pays so much for power. So many dollars are their proportion of the interest on the renewal fund. It is absolutely a trust fund and you cannot use it for any other thing. It is getting to an amount where it will be in excess -- it should be put in a security and it should be done almost immediately. It should be absolutely safe. Municipalities might want to invest the sinking fund in pavements, etc. Brantford might want to do some improvement, and when borrowed it does not come back. The Hydro Commission might be tempted to spend it if it were in cash, but they have not done so.

I think we have covered the main points.

Niagara Municipalities pay price for power to meet
sinking fund.

Ontario Power Co. which I have dealt with.

Essex System We understand that it is proposed that the Hydro purchase shares of the Essex Light and Power Co., but I do not know who owns that system. They have a deficit of \$32,000.00. It was \$40,000.00, but they picked up \$8,000 last year. The rates were increased a little to meet this deficit and I believe they are picking up -- in 1921 they picked up \$8000.00. They are headed in the right direction. The intention was to get the Municipalities to enter into a contract with the Hydro, an incentive being that they could buy their power cheaper. In a few years the Municipalities will come in on a profitable basis. There are no reserves to meet the deficit.

Question: What did they pay for the Plant?

Mr. Clarkson: \$226,000. Bonds guaranteed by the Government, who has since advanced them \$165,000. Authorized by Legislature, some this year and some last year, in connection with the Essex. Picked up \$8000. last year so may pick up some more this year (1922) Going along all right now. It will pick up in 1922.

Indications point that they are pulling up. I do not know who the Hydro owns it for. The Hydro is only hold it -- I do not know who for.

Thorold - \$100,000.00 Bonds -- they are making money and the Hydro holds it the same way.

Then you have them in order to buy Ontario Power Co. above it two sections of the Act to buy shares and they do not see who they buy it for.

Question: Would you suggest that the speculations of the Hydro be put in one heap?

Mr. Clarkson: If they make a profit -- but if they don't?

Essex was supposed to be adjunct to the Niagara

Why not consolidate with others?

Question:

Mr. Clarkson: This means that Toronto pays so much for power. So many dollars are their proportion of the interest on the power. It is absolutely a great fund and you cannot use it for any other thing. It is getting to an amount where it will be an expense -- it should be put in a security and it should be done almost immediately. It should be absolutely safe. Municipalities might want to have the sinking fund in payment, etc. Bankers might want to do some improvement, and when borrowed it does not come back. The Hydro Commission might be tempted to spend it if it were in cash, but they have not done so.

I think we have covered the main points.

Municipalities pay rates for power to meet

Nikarua
sinking fund.

Ontario Power Co. which I have dealt with.

Power System We understand that it is proposed that the Hydro purchase shares of the Power Light and Power Co., but I do not know who owns that system. They have a deficit of \$32,000.00. It was \$40,000.00, but they picked up \$8,000 last year. The rates were increased a little to meet this deficit and I believe they are picking up -- in 1931 they picked up \$8000.00. They are headed in the right direction. The intention was to get the Municipalities to enter into a contract with the Hydro, an incentive being that they could pay their power cheaper. In a few years the Municipalities will come in on a profitable basis. There are no reserves to meet the deficit.

What did they pay for the plant?

Question:

Mr. Clarkson: \$256,000. Bonds guaranteed by the Government, who has since advanced them \$155,000. Authorized by Legislature, some this year and some last year, in connection with the Bank. Picked up \$8000. Last year so may pick up some more this year (1932) going along all right now. It will pick up in 1932.

Industrious point that they are pulling up. I do not know who the Hydro owns it for. The Hydro is only hold it -- I do not know who for. Toronto -- \$100,000.00 Bonds -- they are making money and the Hydro holds it the same way.

Then you have them in order to buy Ontario Power Co. above it two sections of the Act to buy shares and they do not see who they buy it for.

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Mr. Clarkson: If they make a profit -- but if they don't? Bank was supposed to be adjacent to the Niagara

System. They intended to turn it over to the municipalities and the Hydro maintain the transmission lines. They would come in with benefits of being in connection with the Chippawa municipalities and profits. They would also come in the liabilities as the cost of operation went up. I do not know who is responsible for the losses.

They can only get power from the Niagara System and they will be charged with the cost of power. The Hydro owns its own distributing system, the municipalities do not own it.

Question: Has the Hydro any competitors?

Mr. Clarkson: No. It would supply 7 municipalities by Lake Erie. The Bonds are guaranteed. The Hydro had a perfect right to buy this.

CENTRAL ONTARIO SYSTEM. This is owned by the Ontario Government and run by the Hydro -- supplies Peterboro, Trenton, Port Hope, Oshawa, etc. It is the Seymour system. They sell power to the municipalities. They operate water and gas plants. In Peterboro an electric railway, pulp mills, etc. The profit last year going to the Government. Have contracts with eight or ten municipalities to pay the cost of power. Bought Seymour plant at \$8,350,000.00 ten year 4% Bonds. Government put up two or three millions. Power developed Trenton, North Bay, put into development near Campbellford. Hydro pays Dominion Government rental. Any Profit or loss is sustained by Ontario Government. Fixed price for municipalities, but eight or ten municipalities when they come in will pay cost of power. Hydro acts as operating agent for the Government. Ontario Government preferred that they own it to the Hydro, so they bought it and turned it over to the Hydro to run. I think it made a little money in 1920, the pulp mills operated very profitable. In 1921, it lost about \$40,000. or \$50,000. and they have been raising the rates.

There is no sinking fund, no municipalities under contract. This is Government owned. Earnings not sufficient to put up sinking fund. No requirements for it. Nothing in the act asking for it.

Mr. Gregory: I would like to see a report made to the Government by the Hydro regarding the purchase, also a statement in brief form containing the history of each of these.

Mr. Clarkson: I feel that we have lived through these four or five years and it is extremely difficult for an outsider to grasp this. If you want to get specific information we can give you in ten to fifteen minutes what it would take months to dig out.

Mr. Guilloyle: The first report in 1917 is the Genesis.

Mr. Clarkson: While a little crude because we had to construct these, but in 1919, 1920 and 1921, I think that they are pretty well in shape, and any reasonable statement you want as to operating or capital expenditure is there. I was afraid that the operating expenditures might be capitalized. Any monies expended on this system were charged against renewal or operating, but we

made them show us that it is an absolute extension of the system, and we think that they held them very tightly. They have met very fairly every little thing we asked them. If they did not think it fair, they argued about it. We are only auditors, you know, not engineers.

Mr. Clarkson: In regard to overhead -- there is a regular basis on which this is done. The best thing to do is for Mr. Guillfoyle to give you a memo showing you how this is done.

Mr. Guillfoyle: Up to the end of 1920 it was distributed, administrative, executive, clerical, etc., capital and operation in proportion to the direct labour charges. At the end of 1920-1921, we found that this high, tremendously high pay-roll at Chippawa to be so heavy and absorbing so much overhead that we decided that the best way to deal with it was that the other developments smaller in comparison with the Chippawa should stand general expense and overhead 10% and that the balance should be allocated to the Chippawa. We assumed that it would run between 4 to 10 % in relation to direct labour, on account of the high labour cost. The Chippawa payroll ran away up in the air in 1920-1921. Allocated against Chippawa worked out at 4% to 6%. This went into capital. Where the cost of salaries, offices, etc. should be regarded as overhead generally speaking. Where it belonged to particular jobs, we put it right into operation on that particular job and it did not have to be pro rata. The men engaged to do clerical work over here and the commission's own expenses, secretary's office, etc., were allocated very carefully. We had to satisfy ourselves that they were doing the fair thing to the municipalities.

Mr. Haney: Did you investigate the contracts for the water wheels? *(The answer, which is necessary to put Mr. Haney's question, is that the contracts were investigated.)*

Mr. Clarkson: After they sign the contract, we see the contract, that it is properly signed and we see the minutes of the meeting and we put it in contract record. Beyond that we do not go.

Mr. Haney: Regarding the pay sheet?

Mr. Guillfoyle: Every pay sheet was checked, at first, but when it got too extensive we picked out here one and there one and checked it. Everyone is certified. The men are paid by cash and must sign a voucher for it personally. PayMaster was responsible first. The time of every man was sent in each day by foremen, showing number of hours each man worked, on a job. These were sorted alphabetically and each day calculated, so that you have the exact time the man came on, whether straight or overtime, deductions made for board, etc. These pay rolls were signed by the subs of the department and on every occasion by the heads of the departments. The totals as shown were made up by the Pay Master and put in envelopes here or Niagara Falls and receipt taken from every man personally, the man appearing before paymaster or his assistant. *(When it was found something about 1920 and*

Mr. Haney: The foreman sent in the actual time -- did anybody check him?

Mr. Guillfoyle: The necessity for detailing the time caused by the shifting of men from one job to another would be a check. Man could not be on two shifts at once, nor could he get two pays under the same name.

Mr. Gregory: Could he not go under two names?

Mr. Guillfoyle: He might of course do that -- but they probably have a check on that.

Mr. Clarkson: The pay rolls were taking up entirely too much time in auditing so that it was arranged by the Commission that they assign a man who was not a paymaster at the Head Office in Toronto check over individually each voucher from the man to the pay roll. We took two or three months in the year and checked through as a test completely.

Mr. Haney: If a man could not write?

Mr. Clarkson: Some of the men made crosses and were witnessed.

Mr. J. A. Ross: Who was responsible for the operation of the system?

Mr. Clarkson: The Accountant.

Question: The Accountant was really an integral auditor prior to payment?

Mr. Clarkson: Yes.

Mr. Harris: May I offer our great appreciation to you for spending your time here. What is necessary is for Mr. Landis to work in close touch with you. To take up any point he is not satisfied with.

Mr. Clarkson: If you desire any specific information Mr. Landis can get it from us. You will have the freest and every assistance. They will freely and willingly give it to you. Mr. Landis could do very little without any idea of what he wants. They feel that it is a reflection on them and that disturbs them. I think we can help you very much in getting what you want. You will get the information and data freely and willingly. The question has been running through my mind - do you know what you want?

Mr. Harris: What We have been appointed for is to investigate the whole Chippawa Development and see whether it is sound or whether the whole proposition is going to produce the results, to take up expenditures on the work done, and find out what power they are going to get when it is finished.

Mr. R. A. Ross: I think that we should assume among ourselves at least that the vouchers spent is correct and see whether the division is reasonable. Then if we found something that looks bad we could report.

[illegible]

1. The first step is to identify the problem. This involves understanding the situation and the goals that need to be achieved. It is important to gather all relevant information and to consider the perspectives of all stakeholders involved.

Mr. Clarkson: You are seeking principally. As auditors we have concerned ourselves with the actual expenditures and contracts, so far as allocation over at Niagara Falls I have not bothered myself. Following along the lines of Accounting, first the expenditures Pay Roll will show the principal of that. Any weaknesses Mr. Landis can see, if there is any point in connection we will talk it over.

Overhead - controlling accounts. With their expenditures and contracts. We list the contracts when they are signed. They might spend \$750,000. on machines -- you will have to decide as engineers if this is fair.

Mr. R. A. Ross: In the first place particularly we are to see it from the past experience of the Hydro their methods are best and will warrant going on in this way. If we find the methods are bad we will say so. If we see it should be changed we will say so, so that it should not be continued in future.

Mr. Clarkson: So far as the Chippawa is concerned the question as to the estimates they might have given the correctness or not of same I can give you help on this. I am not an engineer or estimator. The control of the Chippawa expenditure was by the Commission. This is all that the Chippawa will show. It extends to the other developments as to the Policy.

Mr. Gregory: Have you formed an opinion of the soundness of the relations between the Government and the Hydro?

Mr. Clarkson: Yes, it is possible to run smoothly. Is there any reason why I as auditor should be concerned in preparing one-half of the Legislature of the Government? I do not think there is a man in the Parliament Buildings who knows anything about the Hydro. I think there should be somebody up in the Parliament Buildings who knows the Hydro and is in touch with its financing. If the Government will get in a position that it understands this thing, everything that is being done, it will be better able to understand.

Mr. Harris: Should not the Government keep in touch with the Hydro through the Commission?

Mr. Clarkson: The Commission knows about it. But I do not think that there is anybody like a Cabinet Minister who can understand this by giving up say half an hour each day. There should be somebody there who understands the Hydro and can tell them about this or that or about Legislature. The Hydro knows this. But there is not the freedom between the Government and the Hydro there should be. I had a discussion sometime ago and I advised Mr. Gaby that I thought he was his own worst enemy. I am a director of a Power Company. I know in every respect the position of the work and whether our estimates are going to be exceeded or not, and why, and what our operating conditions are. This information does not get before the Commission except Sir Adam Beck. Mr. Carmichael cannot understand the data that is thrown before him. It requires an expert man giving all his time. I told Mr. Gaby

he should do this -- prepare a method of report between the Engineers and the Commission in such form that a layman could understand, say every two weeks or a month, showing the position of the work, then you would not leave them under the impression that the work was going on as per estimate and nine months after surprise them with a cost of nine millions more.

Mr. R. A. Ross: Have they not got reports showing estimates, appropriations, etc?

Mr. Clarkson: They have an abundance of information but they have so much that they do not condense it. It is too abundant too bulky, unless a man is dealing with it he cannot get to the bottom of it. It gets to the Commission and outside of Beck it is not understood, and does not get to the Government.

Mr. Gregory: Why is not this done? Does the Commission feel this might interfere with their plans?

Mr. Clarkson: That I cannot say. I do not know why. It has arisen. They have looked upon as critics -- business and accounting.

Mr. Gregory: Did you suggest the amendments?

Mr. Clarkson: Since 1913 -- 2/3 of them.

Mr. R. A. Ross: In the City of Montreal we have tables with glass top and appropriations with money spent down on it.

Mr. Clarkson: They have a budge system -- an abundance of information as to the progress of work. They have fallen down between the engineering and Commission, and the Government and Commission.

Mr. R.A. Ross: The Engineering Department are more interested in getting the work done and not bothering with anything until they get the results.

Mr. Clarkson: By reporting to the Commission that labour went up 25% Mr. Gaby could have made the statement that it will cost not the estimated thirty millions, but forty-five millions, and this should have reached the Government.

Mr. Gregory: Seems to me that as things are it is very difficult to have the apprehension on the part of the Government should be placed to the Hydro, but they have not the men who are competent to run things of this kind. Like Mr. Carmichael - who is an awfully decent man.

Mr. Clarkson: People on this should give their full services and should get not \$5,000.00, but \$15,000.00 per year.

Some kind of a man who understands it. It has been a question of evolution -- increasing and increasing, step by step. Being not presented by proper form and being not presented to the Commission in such a way that the members understood it and the Government did not get it.

Mr. Harris: It is absolutely necessary that the thing should be ironed out and that the Government should know more about it.

Mr. Clarkson: I will guarantee that not one of the members have read our audits. It takes me a month to bring it up to the final stage.

Mr. Gregory: Do they not know anything about the exact amount of money they are going to spend?

Mr. Ross: They should have a program for every year and if the Government asks them "What are you going to spend this year?" they should know and if the Government says we will give you so much when they have asked for more ---

Mr. Clarkson: On the third pipe line, the expenditures were far greater than they expected. Things did not work out. They did not get the power and no relief from the Government and they got soaked for 500 or 600 more than they ever anticipated. They estimated that the third pipe line would cost somewhere in the neighborhood of \$1,500,000.00 before 1918. And in 1923 with the additional revenue they would get, they would be in a position to return this at about \$1,800,000. The added cost they were put to was about \$500,000. to the Toronto Power Co.

The third pipe line is built of staves. It is full of water all the time. It isn't all covered.

The Ontario Power Company at that time was a separate entity. The bulk of their stock was owned by the Hydro, but some of it was owned by the Public. The Hydro engineers estimated that \$1,500,000 and it cost \$3,500,000.; that includes all the units.

The position was this. I do not think that there was any question as to the rights to take the water required. The Company refused to allow them to contract this and for that reason the Hydro bought that to protect that water and gave them a very strong control from that part. That is the action they took when the Ontario and Niagara Companies said. We won't give them any ---

That is something you had better get from them. There have been two or three law suits over that. The matter has been brought into the Courts two or three times. The point is this. I think that when the Ontario P. Company wanted the 3500 feet, which was unused, but on the American Side that they got short and that they got the enterprise from the American War Board. Whether they have any right to or not I don't know. I suppose they say now at 20% working on that footage, 20% of 36,000 -- that was a matter which was brought up before Mr. Justice Middleton and you can get that evidence and hear what Mr. Gaby has to say about that. I thought it was rather a pity to tackle that. Well, the Ontario Power Company was the first crack. The next thing was the Chippawa and Nipigon.

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Question: Dealing with Nipigon, did they not take that precaution before getting the contracts?

MR. CLARKSON: You know that on contracts which have been subject to litigation there is some little while .. They estimated that it would cost three or four millions dollars and with these vicissitudes it cost six or seven millions. They figured that they would pull it out by 1924 or 1925 .. I do not know whether it would be well to touch on that or not. There is a lot of information which you will get from the reports. Our report will not be ready for two weeks. The government has held us up. They have been using people for six weeks and that has thrown us back six weeks. They asked for so many detailed statements of forty or fifty pages that has held up the work.

The question in regard to advertising in the press-- Propaganda ---. The Government took exception to it. They called it propaganda. We have made them produce a copy of their advertising since then.

Mr. Gregory: How much did they spend yearly?

MR. CLARKSON: In 1920 the item was \$300,000.

Question: Where did you get that amount?

Mr. Clarkson: We picked that out of the accounts, not in the reports. In 1916 they spend \$3,300,000. In 1918 \$5,100,000. In 1919 they spend \$7,100,000. In 1920 they spend \$12,000,000. and in 1921 they spent \$32,000,000.

Mr. Haney: Would you have occasion to examine the books of the engineers?

Mr. Clarkson: I did not concern myself with the estimates of the engineers. I will say this that every year I went to them and said what is the Chippawa Canal going to cost. In 1918 they told me \$25,000,000., in 1919 \$40,000,000., and 1920 \$54,000,000 or \$55,000,000.

Mr. Gregory: Now have you any report as to what it is going to cost?

Mr. Clarkson: No, I have not. I will read you from the 1920 report. It was here that they estimated that it would cost approximately \$54,000,000 or \$55,000,000.

Reads from his report.

Question: What are the relations between the Ontario Power Company and the Hydro Electric System?

Mr. Clarkson: The Hydro Municipal Association is an association of the municipalities and the Hydro Radial Municipalities Association in an association of the Municipalities, and each year

REMARKS: [Illegible text]

[illegible]

The question is raised as to whether in the past the Government had authority to do this. They would have been under a duty to do this.

10. The following information is being furnished to you for your information only. It is not intended to be used for any other purpose.

[illegible][illegible][illegible]

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the Commission has paid these people for the salaries of Hannigan the sum of about \$4,000 or \$5,000 on the ground that it is a reasonable and proper expenditure. They say that it is no concern of the Government because the municipalities have been repaid. I have taken the stand personally that they have no right to pay out that money. So that is why I have reported them.

Here is the report which I made in 1920 -- (reads 1920 Report).

Mr. Haney: Are these incorporated in any way or voluntary -- I mean -- they pay this man Hannigan \$4,000 salary, does it come from the Government appropriation?

Mr. Clarkson: I will read you here (Subsection 3 of 6 -- reads about salaries which are chargeable). and then says - "Now, the Legislature appropriates \$100,000 so that they make expenditures and charge it to the Province.

If you take my point of view as an auditor, they took that money out of Hydro and I say here that they have no right to do it.

Mr. Gregory: "By Order-in-Council?"

Mr. Clarkson: I don't know, that is a matter for argument and it won't do any good. The money has been spent and somebody must put it up. The proper way for them to do is to come to you and when you want certain information say, for instance, I want to get a witness (I go to the witness and get information and it costs so much to get it) -- In connection with the Hydro, that is a different matter. You can't take this out of the Hydro Electric Commission's money. Your commission must pay the expenses. You can't use the funds of the municipalities to pay for an investigation. I suppose they will use their time. The best thing to do on that is to argue the thing out. Somebody must pay for these expenses. I know that your Commission would not like to ask for the information and say that the Municipalities will have to pay for it.

QuestionA. They are not exactly. The Hydro Electric Commission has nothing of their own - the Municipalities own it.

To Mr. Harris: A. Well, you do not expect the municipalities to pay the cost of your investigations? When the Government wants information they say we want this information and they pay for it. You are asking Municipalities to pay for an investigation when they are greatly opposed to such an investigation.

Mr. Gregory: "Some of the Municipalities are asking for it"

Mr. Clarkson: Well, you don't want me to put on my next year's report the cost of the Gregory Investigation and charge it to the Municipalities and say to them "You pay this " do you? There would be the devil to pay.

Mr. Ross: How much are the municipalities actually prejudiced?

1. I have been thinking about you a great deal lately. I hope you are well and happy. I have been very busy with my work, but I always find time to think of my friends.

There is no record which is dated 1890 or (early 1890s).

1. The first part of the document is a letter from the President of the United States to the President of the Senate, dated January 1, 1901. The letter is signed by William McKinley and is addressed to Charles McNary. The letter is a copy of a letter that was sent to the President of the Senate by the President of the United States. The letter is a copy of a letter that was sent to the President of the Senate by the President of the United States. The letter is a copy of a letter that was sent to the President of the Senate by the President of the United States.

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Mr. Clarkson: Don't you think it would be best to argue the cost and expenditures in this matter out with them? They have their ideas on this matter.

.....(Regarding Recording of Time of Engineers) Don't they turn in a report from day to day and say we have spent so much time here or so much time there, so that there would be no change in the method of putting this into account?

Mr. Clarkson: You would not want this time put into a fictitious account, would you?

Discussion as to how the time of the engineers is to be charged by Mr. Guillfoyle.)

Mr. Clarkson: (after discussion) I think that question is technically correct. As a matter of expediency it would not justify us to run up an Expense Account.

Mr. Ross: Those engineers up there have been said to have been overworked, but I think they are underworked today.

To Mr. Guillfoyle --

Mr. Clarkson: What Mr. Ross is referring to is the salaries of the men who are paid on a yearly basis. These men have plenty of time for these duties. I think I would talk that out with them. What about all the time I have put in. I have done so much on this matter that I am becoming ruffled.

Mr. Haney: Should the Commission make that charge?

Mr. Harris: Or the Engineer or the Treasurer?

Mr. Clarkson: I would talk that out with them. When you have men like Gaby and Gilmour and Pierdon - I don't think they should charge for what they do. If they have to put on any extra clerical staff however, they should pay for it. We heard a lot of how Gaby was loaded up by the Sutherland Commission about the six miles of blue prints at a cost of \$335,000. - What I have to say here is, the position is this, that all municipalities have to pay.

Mr. Clarkson: Why no, Mr. B? J. Arnold was their man.

Mr. Gregory: You know, we could subpoena them and bring all their evidence at \$1.00 a day.

Mr. Clarkson: I think I could use my own judgment in such matters as these charges bearing in mind ---

Mr. Landis: My first consideration is to have the Commission make arrangements with Sir Adam Beck so we have access to their accounts. I have submitted to the Commission suggestions which they have probably not had time to go through.

Mr. Clarkson: The impression they got and the impression which seems to prevail is that Mr. Landis went up there and I understood that he was going to make a complete audit. Now, I would suggest that if you ask for some specific information, you will get it. You will get all the help you want from them up there. If you know what you want, when you go up there, and tell them, and they know what you want, they will do everything in their power to help you.

Mr. Landis: When I met Sir Adam Beck, I presented my credentials. He called out Pierdon and to expedite the whole situation he assigned the work to a representative of the Accounting Department to give attention to the information which I required. I had only reached the City and I had not made up a program of what was required so I could not tell them exactly what I wanted to know.

Mr. Gregory: I understand from the newspaper man that he had it that we were to make a detailed audit.

Discussion as to who gave that information.

Mr. Clarkson: I will say this, that if your mind is down to a point where you can make certain specific requests you will find them men who will give you every assistance and very valuable assistance, but if you go in there and they offer resistance you will have difficulty. It is not for me to ask you what you are going to do, but if you want to make progress I would suggest that you go to them with specific requests and I know that your requests will be met.

Mr. Ross: I think you ought to get Sir Adam and discuss salaries and things and say that Mr. Landis will look into the systems which they use and get a bird's eye view of the way in which things are run.

Mr. Clarkson: They will give you any explanations which you may want. I drew up for the Honorable Peter Smith a memo indicating how everything was done and so far as that is concerned that is a question which Mr. Landis will have to go into. I submitted to the Commission certain specific questions - I have already submitted to the Commission my recommendations of proceedings.

Mr. Landis: I understand that they have separate books on "Overheads". Naturally we couldn't proceed with an investigation if we can't have access. We couldn't get a right startoff.

Mr. Clarkson: The right way to do is to say that you want to go into matters with Mr. Guilloyle.

Mr. Landis: You couldn't be restricted. There must be some specific items which will open the whole situation. Their spirit of cooperation is splendid and Mr. Pierdon has offered his assistance and help in every way.

Mr. Clarkson: You will have to make a study of the Statutes. That will give you a little material - you will have to digest this Act. There is a whole lot of extraneous matter.

Mr. Landis: I have made my own notes as to that.

Mr. Clarkson: The reason I make these statements, I want to get you on a plane of assistance. There is an excessively jealous feeling prevailing up there. Sir Adam Beck wanted to know from me the other day what you wanted and what you are to do. There was the Murray report, you see they gave Mr. Murray access to all the books and when he had made a report he used it in an attack on the Hydro and also put it to use on his California scheme.

Mr. Gregory: We very much appreciate your remarks of this afternoon, Mr. Clarkson.

Mr. Clarkson: If you will get a copy of the 1920 report, I think you will find every aspect of this matter covered and it will give you an idea as to what you would like to inquire into. It is getting so big and voluminous I don't know what you will do. I only have one copy of it - (asked as to when the printing of the report would be finished) -- I don't think the 1921 reports will be ready for about three weeks yet.

Meeting adjourned at 6.15.

Mr. Clarkson: You will have to make a study of the statement. That will give you a little material - you will have to digest this lot. There is a whole lot of extraneous matter.

Mr. Landis: I have made my own notes as to that.

Mr. Clarkson: The reason I make these statements, I want to get you on a plane of assistance. There is an excessive amount of feeling prevailing up there. Sir Adam Beck wanted to know from me the other day what you wanted and what you are to do. There was the Murray report, you see they gave Mr. Murray access to all the books and when he had made a report he used it in an attack on the Hydro and also put it to use on his California scheme.

Mr. Gregory: We very much appreciate your remarks of this afternoon, Mr. Clarkson.

Mr. Clarkson: If you will get a copy of the 1930 report, I think you will find every report of this matter covered and it will give you an idea as to what you would like to include into it. It is getting so big and voluminous I don't know what you will do. I only have one copy of it - (laughed as to when the printing of the report would be finished) - I don't think the 1931 reports will be ready for about three weeks yet.

Meeting adjourned at 5.15.

